LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6252 **NOTE PREPARED:** Nov 15, 2007
BILL NUMBER: SB 50 **BILL AMENDED:**

SUBJECT: Public Employees' Retirement Fund Multiplier.

FIRST AUTHOR: Sen. Arnold **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill provides that the multiplier used in calculating pension benefits for members of the Public Employees' Retirement Fund (PERF) who retire after June 30, 2008, is increased from 1.1% to 1.6%.

Effective Date: July 1, 2008.

Explanation of State Expenditures: The estimated impact on PERF is provided in the following table.

Impact on PERF			
	State	Municipalities	Total
Increase in Unfunded Accrued Liability	$992 M	$1,380 M	$2,372 M
Increase in Annual Cost	$118 M	$180 M	$298 M
Increase in Annual Cost as % of Payroll	7.4%	7.0%	7.2%

The increase in the multiplier will also result in a decrease in funded status of the fund from 97.6% to 80.9%.

The increase of $118 M in annual funding will be paid from the state General Fund (55%), or $64.9 M, and various dedicated funds (45%), or $53.1 M. The percentage split represents the split for personal services in the state budget. The above fiscal impact was based on the PERF July 1, 2006, actuarial valuation. It will be updated upon completion of the July 1, 2007, actuarial valuation.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local units with members in PERF.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Funded Status - The ratio of the assets of a pension plan to its liabilities.

Unfunded Actuarial Liability -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.